

## ***Power Policy for the State of Montana***

Draft discussion of ETIC subcommittee, Senator Jackson and Rep. Wiseman  
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### **Analysis**

The long term power outlook for Montanans is cloudy. We have many resources to generate electricity, but we can't say for sure that Montanans of the next generation will have power that is priced appropriately for our low-income economy.

Our electricity market is structured such that our citizens are competing for power with much wealthier regional neighbors in the Pacific Northwest, and soon, Canada.

Those of Montana's citizens who are served by Northwestern Energy have been left to fend for themselves in the merchant power market. That market is dominated by a single company which has doubled the price it charges for electricity generated in Montana. The company's management has made no secret of its intention of continuing to charge the highest going rate.

Montana produces about twice as much electricity as it uses. A significant portion of that power is captive within the state, as there are transmission bottlenecks that prevent its export.

As we build more transmission lines out of the state, we lose the market protection provided by the bottleneck, and submit more of our power to the regional market, thus creating incentive for higher prices.

Citizens whose power is supplied by cooperatives have the benefit of a democratic structure in their power utility that allows them to control their own energy future.

Citizens whose power is supplied by Northwestern Energy have no such control over the future. That utility has been financially weakened by a recent bankruptcy, and is dependent upon dominant market player Pennsylvania Power and Light for the bulk of its power.

Within the state, a group of cooperatives is working together to acquire sufficient generation capacity to fulfill their needs into the future. This is an important effort, as the coops are losing access to the low-cost power traditionally supplied to the coops by the BPA.

Montana's energy policy is as follows (90-4-1001, MCA):

It is the policy of the state of Montana to promote energy conservation, production, and consumption of a reliable and efficient mix of energy sources that represent the least social, environmental, and economic costs and the greatest long-term benefits to Montana citizens.

The state government has stood by and watched as the electricity market has formulated itself so as to eliminate affordability as a criteria for judgment of the system's success. The part of the system served by Northwestern Energy is in fact designed to maximize economic rents for out of state investors.

The state government has failed to address the social and economic costs of the restructuring of the Montana electricity market. There is no plan and no state policy in place to guarantee an adequate supply of modestly priced power, or to empower citizens to acquire and control their own generation and participate in the system as power providers.

Montana's energy policy does not address one of the core elements of the power marketplace, and that is ownership.

Montana has a long tradition of public ownership through electric cooperatives, which are member (i.e., citizen) owned. In addition to the coops, several municipalities, such as Butte and Helena, have in the past had community-based district heating systems. Among Montana's regional neighbors, power is supplied through cooperatives and through Public Utility Districts at the county level, as well as through investor owned utilities.

Montana's cooperatives have always distributed power, but have traditionally not developed generating assets. That is changing now, as a group of coops is partnering with the city of Great Falls to build a generating facility. Some coops are participating in a regional generating cooperative based in North Dakota.

For technical and financial reasons, Montana cooperatives have discouraged their members from developing net-metered generating assets. Thus the part of the population that has the most wind and solar resource does not participate at all in home-based power generation.

Montana's utilities do provide net-metering capability. This program has been met with eager and enthusiastic participation. Montana's citizens have shown that they are willing and able to participate in home-based power solutions.

Power consumers can use power far more efficiently if their power distribution company has smart grid technologies.

The public has embraced wind development with great enthusiasm. Wind development is accelerating in Montana. Development of wind farms is complex and difficult because of transmission difficulties.

We stand on the cusp of the development of an array of energy generating devices that use free fuel. Wind, solar, and geothermal resources are abundant in our state. Free-

fuel power sources have the lowest long-term cost of power production, both economically and environmentally.

It can be seen from the example of Iceland that public ownership of free-fuel power sources is a path toward widespread prosperity for the citizens.

## Conclusions

The citizens of Montana can't control their energy future if they do not own and control power generation facilities sufficient to meet their needs at "the least social, environmental, and economic costs", for both the present and future generations.

Montana has no policy in place to promote, encourage, or create public ownership of adequate power sources.

The energy policy of the state of Montana should be amended to add *self-reliance* and *public ownership* to the goals to be achieved, in addition to conservation, production, and consumption.

Montana's energy policy should promote and encourage *public ownership* of power sources, sufficient to meet the needs of Montanans for present and future generations. Further, state policy should favor and promote *public ownership of free-fuel power sources*, including solar, wind, hydro, and geothermal.

State policy should create financial inducements for electric cooperatives to develop power sources, and to develop net metering systems such that far wider participation in farm and ranch based free-fuel power generation is achieved.

State policy should create financial inducements for households to participate in home based free-fuel power generation, including heat as well as electricity. The state should adopt a specific goal for home-based installations, along the order of 50,000 solar rooftops by 2015.

State policy should create financial inducements for citizens to be more proficient consumers of electricity by promoting and inducing the installation of smart grid devices by distribution companies.

State policy should favor the development of smaller, locally owned free-fuel projects of a size sufficient to provide power to the grid.

State policy should further encourage municipalities, counties, and other public jurisdictions, singly or combined, to own power sources, and favor the use of such power by distribution companies.